

## Message Text

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72

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 INT-08 SCEM-02 SPC-03 AID-20

EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 DODE-00 PM-07 H-03 L-03

PA-04 PRS-01 USIA-15 TAR-02 DRC-01 /199 W

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R 211731Z DEC 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2474

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 14254

E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT: GOVERNMENT PROGRAM TO DEAL WITH ENERGY CRISIS

REF: ROME 13818

1. BEGIN SUMMARY. PARLIAMENTARY DEBATE ON GOVERNMENT ENERGY  
AUSTERITY PROGRAM CONCLUDED DECEMBER 20 WITH APPROVAL OF SIX

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POINT PROGRAM SPELLED OUT BY MINISTER OF INDUSTRY DE MITA. KEY  
ELEMENTS OF PROBRAM ARE GASOLINE RATIONING EXPECTED TO TAKE EFFECT

APRIL 1974, AND GOVERNMENT INTENTION TO EXERT GREATER CONTROL OVER OIL COMPANIES' SUPPLY, REFINING, STOCKPILING ACTIVITIES TO PREVENT SPECULATION AND ASSURE PRIORITY TO INTERNAL MARKET. SENIOR MINISTRY OF INDUSTRY ENERGY OFFICIAL (RISTAGNO) STATED TO EMBOFF IT IS VIRTUALLY CERTAIN THAT COMPANIES IN ITALY WILL COME UNDER CLOSER GOVT SCRUTINY, NOTING THAT FREEDOM OF ACTIVITY INCLUDING EXPORTS WILL NOT BE OVERLY CONSTRAINED AS LONG AS COMPANIES AGREE TO GUARANTEE INTERNAL MARKET REQUIREMENTS. FINALLY, RISTAGNO EXPRESSED SERIOUS CONCERN OVER ITALY'S SHORT-TERM CRUDE SUPPLY PROSPECTS. END SUMMARY.

2. CHAMBER OF DEPUTIES DEBATE ON OIL SITUATION AND NOVEMBER 22 AUSTERITY MEASURES (ROME 12977) CLOSED DECEMBER 20 WITH APPROVAL BY COALITION PARTIES (DC, PSI, PSDI, PRI) OF A SIX POINT DOCUMENT. COMMUNISTS ABSTAINED, WITH ONLY LIBERALS AND NEOFASCISTS (MSI) OPPOSING.

3. PROGRAM CALLS FOR: EFFECTIVE CONTROL OF SUPPLY, REFINING AND STOCKPILING ACTIVITIES TO HARNESS SPECULATION AND ASSURE INTERNAL MARKET SUPPLY; RATIONING PROGRAM TO ASSURE PRIORITY FOR PRODUCTIVE ACTIVITIES; IMPROVEMENT OF PUBLIC TRANSPORT SYSTEM; SPEEDY IMPLEMENTATION OF NATIONAL PETROLEUM PLAN WHICH WILL STRENGTHEN ROLE OF ENI IN NATIONAL MARKET; EUROPEAN POLICY TOWARD PRODUCING COUNTRIES TOGETHER WITH DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, ESPECIALLY NUCLEAR: (UNDEFINED) MEASURES TO COUNTERACT ECONOMIC CONSEQUENCES OF ENERGY CRISIS.

4. REGARDING GASOLINE RATIONING WHICH EXPECTED TO BEGIN IN APRIL TO REPLACE INCREASINGLY UNPOPULAR SUNDAY DRIVING BAN, DE MITA WARNED THAT IT WILL BRING GREATER INCONVENIENCES THAN THE DRIVING BAN. HE CONFIRMED THAT PRIORITY WILL BE GIVEN TO SUPPLY OF HEAVY FUEL OIL REQUIRED BY INDUSTRY AND POWER PLANTS, FOLLOWED BY HEATING OIL, AND LASTLY GASOLINE. HE EXPLAINED THAT RATIONING PROGRAM FOR HEATING OIL WAS NOT FEASIBLE THIS FAR INTO WINTER, ADDING THAT 80 PERCENT OF 1972 REQUIREMENTS HAS BEEN ASSURED BY COMPANIES THROUGH MARCH 1974. HEAVY FUEL OIL ASSURED AT 100 PERCENT

FOR DECEMBER, AND 90 PERCENT FOR PERIOD JANUARY THROUGH MARCH 1974.

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5. DE MITA MADE CLEAR THAT GOVERNMENT INTENDS TO MORE CLOSELY CONTROL ACTIVITIES OF COMPANIES WHICH HERETOFORE IN ERA OF ABUNDANT SUPPLY OPERATED WITH CONSIDERABLY AUTONOMY, HE STRESSED, HOWEVER, THAT GOVERNMENT DOES NOT REPEAT NOT INTEND TO FORBID EXPORTS AS A MATTER OF PRINCIPLE OR TO NATIONALIZE THE PETROLEUM SECTOR. DE MITA FEELS THAT ITALY HAS MUCH TO OFFER THE COMPANIES, IN PARTICULAR AN IMPORTANT INTERNAL MARKET AS WELL AS EUROPE'S LARGEST REFINING CAPACITY.

6. ON SUBJECT OF COMPANY PLANS, RISTAGNO NOTED THAT THEY HAD

RECENTLY INFORMED MINISTRY OF INDUSTRY OF THEIR REFINING INTENTIONS FOR 1974. THEY FORECAST AN INCREASE OF 170 PERCENT OVER 1973 IN REFINING FOR FOREIGN CLIENTS (COMMITTENTI ESTERI), IMPLYING THAT MUCH LESS PRODUCT BEING AVAILABLE FOR DOMESTIC MARKET, IT IS PRECISELY REPORTS OF THIS NATURE WHICH HIGHLY DISTURB GOI, RISTAGNO NOTED. IN THIS PARTICULAR CASE, DE MITA ORDERED COMPANIES TO RETURN TO MINISTRY BETWEEN CHRISTMAS AND NEW YEARS WITH "MORE REALISTIC" REFINING PLANS.

7. RISTAGNO INDICAEJS DYOU S CONCERN REGARDING SHORT TERM SUPPLY PROSPECTS FOR ITALY. HE NOTED THAT, AS ONE MIGHT EXPECT, BP AND SHELL CRUDE SOURCES ARE EXPECTED TO DECLINE AS CONSEQUENCE OF THEIR DEPARTURE FROM ITALIAN MARKET. OF GREATER CONCERN, HOWEVER, ARE REPORTS BY FINA OF ANTICIPATED 50 PERCENT CUT IN SUPPLY, AND 45 PERCENT

CUTS FOR AMOCO, CHEVRON AND TEXACO.

8. COMMENT: DE MITA AND OTHER RESPONSIBLE GOVERNMENT OFFICIALS HAVE IN RECENT SPEECHES BEEN HITTING HEAVILY UPON GOI INTENTION OF ACTING TO MORE CLOSELY CONTROL PRIVATE COMPANY PLANS AND ACTIVITIES IN ITALY. THESE VIEWS ARE SECONDED IN OUR CONVERSATIONS WITH RISTAGNO. AT SAME TIME, DE MITA AND HIS COLLEAGUES CAREFUL TO ACKNOWLEDGE THAT IT IN GOI INTEREST TO ALLOW THE COMPANIES A CERTAIN DEGREE OF INITIATIVE, AS LONG AS THEY AGREE TO GIVE PRIORITY TO DOMESTIC MARKET REQUIREMENTS. VOLPE

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